

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MARCH 20, 2003

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; George Tsiopras, Chief Accountant; George Liouzis, Human Resources Administrator; Al Picconi, United Beverages, Inc.

EXCUSED: Nicole Horton, Wine Marketing Specialist

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending March 16, 2003 indicates retail sales were up over 4%, on-premise sales were down -.37%, off-premise sales were up a little over 11%, resulting in total aggregate sales increasing by 5.33%. The traffic count increased by 1,863, as did the average sale by \$.66.

Review of the current W-1 Total Weekly Sales report shows total sales for the week were up 5.34% or \$283,220, as they did for the year by 5.35% or \$12,772,011. Wine sales were up 5.71% or \$143,097 over the same week last year, while they were also up by 8.87% or \$9,484,743 for the year. Sales of spirits increased for the week by 5% or \$140,123, and were also up year-to-date by 2.5% or \$3,291,904.

A look at the outstanding depletions and post-offs report shows two brokers still in arrears; both of these companies were notified two days ago. Upon request by Craig Bulkley, it was moved by Commissioner Maiola, seconded by Commissioner Russell, that \$6,210.23 in interest charges assessed to a particular broker be forgiven, due to misinformation given to them which resulted in a late payment. The motion was unanimously adopted.

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission grant permission to pursue negotiations with the current landlord to renew the lease for the Enforcement Division. The motion was unanimously adopted.

Craig has attempted to reach Mark Shapiro several times unsuccessfully to ask whether or not Discover Card rates will be dropped. This would help in determining whether or not additional types of cards should be allowed for use by licensees.

Craig said that there are no legislative hearings scheduled at present, but this may change after the April 3rd switchover. Commissioner Byrne commented that increases in appropriations, which were presented to the House Finance Committee, had not

discussed between the Commissioners. He felt it was incumbent upon the Chairman to keep the full Commission apprised of what is happening.

The latest Expense Budget Activity Variance Report shows that, as of March 18th, we are at 71.51% through the year, with total agency expenditures at 71%. At this point, the main concerns are with supplies and in-state travel requests for Marketing and IT. Salaries and benefits are also still of concern, for which transfers will be requested.

Contracts are being developed for sign maintenance, which will be submitted to the Commission for approval. The state was broken up into territories to increase competition by allowing smaller companies with geographical constraints to be able to bid on certain territories rather than the entire state.

200 storage boxes are being moved from the warehouse into Archives, which will free up some needed space there.

The quarterly Sweepstakes audit was completed with very successful results. Information has been forwarded to Store Operations and will be presented to the Commission in the near future.

2. IT Reports

The Paymentech implementation is moving ahead with just a few small issues encountered at Store #1. These need to be resolved before moving on to other stores. The data entry prompt is causing problems, and is being looked at by ACR. Response time is now in the 5 to 6 second range. Work will be done to get this moving faster.

The state's new look and feel for the web site has been implemented. Howard e-mailed a page of the site as a sample of what the Commission can do to achieve a similar feel.

Howard reminded everyone that he needed a list of strategic initiatives for the new IT plan by the first week in April, particularly those with an IT implication.

II. MARKETING & SALES REPORTS

1. Store Operations

John Bunnell informed the group that a meeting was scheduled for next Tuesday, March 25th at 10:00 a.m. to introduce the new "Summer Splash" promotion. In addition, there will be a Supervisors' Meeting next Wednesday, March 26th from 10:00 a.m. to 1:00 p.m. Next Tuesday night, four store employees will participate in a commercial to be viewed on Channel 9.

Total store sales for the week ending 3/16/03 were up \$180,942.20 or 4.56%. This represents an increase of a little over \$60,000 on Sunday alone. Peter surmised that the good weather on that day may have been a positive factor. He mentioned that sales in Nashua may be down today, due to a suspicious package being found which resulted in the closing of Route 3 for a time.

Renovations at Store #34 Salem are moving along ahead of schedule. Much of the major demolition on the south side has been completed. The new Lee location will open next Tuesday following a very smooth transition.

The store inventory process will begin on Saturday, March 29th.

Commissioner Byrne asked for a report on proposed renovations at Store #38 Portsmouth, which he said was discussed but not agreed to by the full Commission. He felt further discussion was required about items which may be taken out and put back into the budget, and that all items going before Governor and Council should bear the signatures of the full Commission. He was also concerned that John Bunnell and Peter Engel were not aware of what was in the contract from Public Works. In response to his question as to whether there was a schedule for the renovations at Store #38, John Bunnell said that a new one would probably need to be created after Governor and Council approval of the project. Commissioner Byrne thought more advanced planning with D.O.T. might have been beneficial, in that work could then have been started in the winter months instead of close to the store's busy season.

2. Purchasing Report

A review of the latest out-of-stock report shows everything is in fairly good shape regarding inventory of major brands.

Commissioner Maiola said the Governor had expressed to him concerns relative to an article in yesterday's newspaper about the possibility of not selling French wines. The Commissioner assured him they would continue to be sold. Commissioner Byrne suggested looking at absoluts to determine which may need to be reduced due to lack of sales. He didn't feel that the Commission should participate in lowering prices, and did not approve promoting an Italian and French wine sale. He asked to go on record as being in favor of continuing to sell these products, but in a more patriotic way. It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission continue to sell French wines without participating in sales during the next month, that brokers be allowed to market these products as they see fit, remaining available to on and off-premise licensees. The motion was unanimously adopted.

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3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Recommendation (Illy Espresso Coffee Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. for a new test market product listing for Illy Espresso Coffee Liqueur, 750ML size (assigned four-digit Code #5323), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Recommendation (Hangar One Vodka & Hangar One Kaffir Lime):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./St. George Spirits for new test market product listings for Hangar One Vodka, 750ML size (assigned three-digit Code #925), and Hangar One Kaffir Lime Vodka, 750ML size (assigned three-digit Code #926), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Cuervo Clasico Silver Tequila):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo for a new test market product listing for Cuervo Clasico Silver Tequila, 750ML size (assigned four-digit Code #3787), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Results (Codes 33280, #5259, #5275 and #5107):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty listings to the following 750ML size products which did not achieve their respective gross profit requirements for full distribution at the end of a six-month test market period, but did achieve their respective gross profit requirements for specialty status, to be placed in liquor specialty stores only, as

recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #3280, Brilliant Vodka; Code #5259, Paul Masson Mocha Caramel Cream; Code #5275, Paul Masson Hazelnut Chocolate; and Code #5107, St. Remy XO French Brandy. The motion was unanimously adopted.

2) One Time Buy (Absolut Vanilia Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an offer from United Beverages, Inc./Future Brands of a one-time buy of 44 cases of Absolut Vanilia Vodka, 50ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) May Special Offers:

a. 80 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of eighty (80) spirit items, to be featured on sale during May 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 70 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of seventy (70) spirit items, to be featured on sale during May 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Wine Close-Outs:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be tabled pending receipt of further information on some of the listed items. The motion was unanimously adopted.

2) Special Offers for May 2003:

a. 14 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of fourteen (14) wine items, to be featured on sale during May 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, but that no state contributions be made towards those products of French origin. The motion was unanimously adopted.

b. 44 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of forty-four (44) wine items, to be featured on sale during May 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, but that no state contributions be made towards those products of French origin. The motion was unanimously adopted.

c. 74 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of seventy-four (74) wine items, to be featured on sale during May 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, but that no state contributions be made towards those products of French origin. The motion was unanimously adopted.

d. 94 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of ninety-four (94) wine items, to be featured on sale during May 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, but that no state contributions be made towards those products of French origin. The motion was unanimously adopted.

- 3) Recommended Allocated & Restricted Wines for Distribution to Selected Stores (15 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve fifteen (15) allocated and restricted wine items for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Primary Source Submissions (11 items – exclusive agent; 24 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of eleven (11) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and twenty-four (24) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve previously reviewed requests for bailment releases/transfers dated March 14 through March 20, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

/D. Hartford

Patricia T. Russell, Commissioner

